



DEPARTMENT OF THE AIR FORCE
AIR FORCE AUDIT AGENCY

7 August 2002

HQ AFAA/DOV
1125 Air Force Pentagon
Washington DC 20330-1125

Mr. Francis E. **Reardon**
Auditor General, US Army
3101 Park Center Drive
Building 1, Room 1301
Alexandria VA 22302-1596

Dear Mr. **Reardon**

We reviewed the system of quality control for the audit function of the **U.S.** Department of the Army, **Office** of the Auditor General, in effect for the 12-month period ended March 31, 2002. The objective of our review was to determine whether the **Army** Audit Agency (AAA) internal quality control system is in place and operating effectively to provide reasonable assurance that AAA auditors follow established policies, procedures, and applicable auditing standards.

We conducted the review in **conformity** with standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE), dated February 2002, and our Memorandum of Understanding signed in March 2002. We tested compliance with the AAA system of quality control to the extent we considered appropriate. These tests included a review of nine audit reports (seven performance audits and two financial statement audits) and two internal quality assurance reports (see Attachment 1). In performing our review, we considered the requirements of quality control standards and other auditing standards contained in the 1994 Revision of the **Government Auditing Standards** issued by the Comptroller General of the United States.

In our opinion, the system of quality control for the audit function of the Department of the Army in effect for the 12-month period ended March 31, 2002 was designed in accordance with quality standards established by the **PCIE**. Further, the internal quality control system **was** operating effectively to provide reasonable assurance for the year then ended that audit **personnel** were following established policies, procedures, and applicable auditing standards.

Observations and suggestions regarding issues that did not **warrant** inclusion in the **formal** report are contained in a separate letter of comments dated 7 August 2002. These other matters did not affect our overall opinion.

We wish to express our thanks to you and your staff for their cooperation and professionalism. Should you have any questions, please have your staff contact Mr. George Falk, Peel-Review Project Manager, at (703) 696-8001 or me at (703) 696-8025.

Sincerely,

A handwritten signature in black ink, appearing to read "Donjette L. Gilmore".

DONJETTE L. GILMORE
Director, Policy, Oversight, and
Systems Division
Operations Directorate

Attachment:
Scope and Methodology

cc:
Deputy Auditor General, Policy & Operations Management
DoDIG (AIG/APO)

Peer Review Scope and Methodology

We performed this review from 8 April to 30 May 2002 at HQ AAA and six M A field offices located at St. Louis, MO; Savannah, GA; Ft. Monmouth, NJ; Ft. Meade, MD; Ft. Bragg, NC; and Ft. Belvoir, VA. To accomplish the objectives, we interviewed AAA auditors, reviewed AAA's internal audit-related policies and procedures, and applied checklists based on the PCIE Guide for conducting external quality control reviews.

We judgmentally selected 8 audit reports reviewed from the 41 formal reports the AAA issued between 1 October 2001 and 31 March 2002. We selected the ninth report, dated 7 February 2001, to satisfy the specific 2002 peer review requirement to examine at least one financial statement opinion report. We excluded from our review audit work on special access programs, as stipulated in the Memorandum of Understanding. Finally, we judgmentally selected two internal quality control reports reviewed from the three QA reports the AAA issued between 1 April 2001 and 31 March 2002. The following tables identify the specific reports we reviewed.

Report Number	Date	Title
AA 01-170	07 Feb 01	Army's General Fund Principal Financial Statements for Fiscal Year 2000
AA 02-007	28 Nov 01	Army's General Fund Principal Financial Statements for Fiscal Year 2000--Financial Reporting of Civilian Accrued Annual Leave
AA 02-016	15 Oct 01	Army Foreign Language Program Requirements Followup
AA 02-045	09 Nov 01	Army Wastewater Systems
AA 02-052	09 Nov 01	Rechargeable Batteries for Communications and Electronic Systems
AA 02-067	09 Nov 01	Support for Non-medical Chemical and Biological Defensive Equipment
AA 02-098	14 Dec 01	Energy Savings Performance Contracts
AA 02-109	10 Jan 02	Civilian Personnel Regionalization
AA 02-134	25 Feb 02	Technology Transfers of Classified and Sensitive Information

Table 1. Audit Reports Reviewed.

Report Number	Date	Title
A-2002-0271- PMO	19 Mar 02	Quality Assurance Report on Review of Establishing the Reliability of Computer Data
A-2002-0263- PMO	15 Mar 02	Quality Assurance Report on U.S. Army Audit Agency's FY 01 Followup Review of Audit Recommendations

Table 2. Quality Assurance Reports Reviewed.